

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

**WITH
INDEPENDENT AUDITORS' REPORT**

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

INDEPENDENT AUDITORS' REPORT

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WASHTENAW COUNTY, MICHIGAN
INDEPENDENT AUDITORS' REPORT
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AUGUSTA CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2013

As management of the Augusta Charter Township (Township), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the year ended March 31, 2013. We encourage readers to consider the information presented here.

Financial Highlights

- The Township experienced a decline in taxable value of two (2) percent from the previous year. The Township is anticipating a stable taxable value next year, with no anticipated decline or growth.
- State shared revenues increased two (2) percent for the year ending March 31, 2013.
- Overall new zoning and planning applications increased by six (6) or thirty five (35) percent. Applications for new single family homes increased from four (4) to five (5) from the prior year ending March 31, 2012.
- Single family home applications were five (5), four (4), two (2), two (2), nine (9) and thirty-six (36) for years ending March 31, 2013, 2012, 2011, 2010, 2009 and 2008 respectively.

Governmental activities:

- Property taxes, state shared revenues and service fees finance most of the Township's basic services, such as fire, public works, community development, and general administration.
- The Township is leasing a building to temporarily store and operate Fire and Utility operations. The costs are born by the Fire and Utility departments based upon square footage occupied. As of 2013 the Elections Department shares a small portion for storage.

Business-type activities:

- The Township's business-type Utility Fund supplies water distribution and provides sewage treatment to residents through YCUA.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the year ended March 31, 2013. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, highways and streets, sanitation, public works, and culture and recreation. The business-type activities of the Township include utility systems.

The government-wide financial statements can be found on pages 3 – 5 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements.

However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the year ended March 31, 2013. Such information may be useful in evaluating a government's near-term financing requirements.

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, fire fund, capital projects fund and environmental fund.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental fund financial statements can be found on pages 6 – 9 of this report.

Proprietary funds. The Township maintains an *Enterprise fund*, a type of proprietary fund, used to report functions presented as *business-type activities* in the government-wide financial statements. The Township uses an enterprise fund to account for its Wastewater and Water System Funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Wastewater and Water System Fund, which is considered to be a major fund of the Township.

The proprietary fund financial statements can be found on pages 10 - 13 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 32 of this report.

The Township adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for all major governmental funds to demonstrate compliance with budget.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$7,608,540 at the close of the year ended March 31, 2013.

By far the largest portion of the Township's net assets (74 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Property taxes and state shared revenues finance most of the Township's basic services, such as police, fire, public works, community development and general administration.

The Township's business-type activity, the Water System and Wastewater System, which supplies water distribution and provides sewage treatment, is provided to the residents by the Ypsilanti Community Utilities.

Authority (YCUA). The Township passes water and sewer rate increases received from YCUA to its residents.

Augusta Charter Township's Net Position

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,182,488	\$ 1,189,816	\$ 2,372,304
Capital assets	302,084	5,853,869	6,155,953
Total assets	\$ 1,484,572	\$ 7,043,685	\$ 8,528,257
Long term liabilities outstanding	\$ -	\$ 775,173	775,173
Other liabilities	85,946	58,598	144,544
Total liabilities	85,946	833,771	919,717
Net position:			
Invested in capital assets, net of related debt	255,795	5,348,812	5,604,607
Restricted	593,701	-	593,701
Unrestricted	549,130	861,102	1,410,232
Total net position	\$ 1,398,626	\$ 6,209,914	\$ 7,608,540

An additional portion of the Township's net position (7.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$1,410,232 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Augusta Charter Township's Statement of Activities

	Governmental Activities	Business-type Activities	Total
Program revenues:			
Charges for services:			
General government	\$ -	\$ -	\$ -
Public safety	288	-	288
Utility	-	1,246,083	1,246,083
Operating grants:			
Public safety	7,090	-	7,090
Capital grants:			
Utility	-	150,441	150,441
	<u>-</u>	<u>150,441</u>	<u>150,441</u>
Total program revenues	<u>7,378</u>	<u>1,396,524</u>	<u>1,403,902</u>
General revenues:			
Property taxes	496,153	-	496,153
Investment earnings	932	939	1,871
Franchise fees	41,284	-	41,284
State revenue sharing	489,907	-	489,907
Other	72,159	34,000	106,159
	<u>1,100,435</u>	<u>34,939</u>	<u>1,135,374</u>
Total general revenues	<u>1,100,435</u>	<u>34,939</u>	<u>1,135,374</u>
Total revenues	<u>1,107,813</u>	<u>1,431,463</u>	<u>2,539,276</u>
Expenses:			
General government	445,426	-	445,426
Public safety	402,274	-	402,274
Public works	232,110	-	232,110
Community and economic development	21,668	-	21,668
Utility	-	1,487,549	1,487,549
	<u>-</u>	<u>1,487,549</u>	<u>1,487,549</u>
Total expenses	<u>1,101,478</u>	<u>1,487,549</u>	<u>2,589,027</u>
Change in net position	6,335	(56,086)	(49,751)
Net position, beginning of year	<u>1,392,291</u>	<u>6,266,000</u>	<u>7,658,291</u>
Net position, end of year	<u>\$ 1,398,626</u>	<u>\$ 6,209,914</u>	<u>\$ 7,608,540</u>

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the year ended March 31, 2013, the Township's governmental funds reported combined ending fund balances of \$1,142,820. Special Revenue Funds have \$557,413 available for their special uses. The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$549,129. General Fund overhead expenses collected from other funds is reported as revenue rather than netted against operating expenses.

The fund balance of the Township's General Fund increased by \$38,837 during the year ended March 31, 2013.

Proprietary fund - The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Wastewater Fund at the end of the year amounted to \$1,163,186 as shown on Page 10 of the report. The total decrease in net position for the fund was \$56,086 as shown on Page 11 of the report.

General Fund Budgetary Highlights

The USDA Special Assessment Water District was paid off in September of 2012.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2013, amounts to \$6,155,953 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, machinery and equipment and park facilities.

Capital assets purchased during the year ended March 31, 2013 were:

- Fire vehicle, \$34,750, reported in governmental activities.
- Fire equipment, \$15,782, reported in governmental activities.
- HVAC system, \$7,050, reported in governmental activities.

Augusta Charter Township's Capital Assets

	Governmental Activities	Business-type Activities	Total
Land	\$ 35,004	\$ -	\$ 35,004
Buildings and improvements	102,597	-	102,597
Office furniture, equipment and computers	88,065	-	88,065
Vehicles	15,000	-	15,000
Fire vehicles and equipment	1,640,099	-	1,640,099
Water system and equipment	-	9,306,093	9,306,093
Sewer system and equipment	-	2,600,458	2,600,458
Bond issuance costs	-	50,064	50,064
	<u>\$ 1,880,765</u>	<u>\$ 11,956,615</u>	<u>\$ 13,837,380</u>

Additional information on the Township's capital assets can be found in Note 5 on pages 26 and 27.

Long-term debt. At the year ended March 31, 2013, the Township had total bonded and contract debt outstanding of \$853,730. This amount comprises debt backed by the full faith and credit of the government. The remainder of the Township's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Augusta Charter Township's Outstanding Debt General Obligation and Revenue Bonds

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ -	\$ 853,430	\$ 853,430
Revenue bonds	-	-	-
Total	<u>\$ -</u>	<u>\$ 853,430</u>	<u>\$ 853,430</u>

Additional information on the Township's long-term debt can be found in Note 8 on pages 29 – 30 of this report.

Economic Factors and Next Year's Budgets and Rates

- The Township continues to experience a decline in overall property values due to Michigan's overall economy.
- The Township continues to pursue the sale of two (2) Township properties with the proceeds to be used for the purpose of funding a new Fire Building. One parcel, originally identified as a future fire department site had been determined to be too small a parcel to fit the Township's current needs.

Requests for Information

This financial report is designed to provide a general overview of the finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Augusta Charter Township Supervisor, 8021 Talladay Road, P.O. Box 100, Whittaker, MI 48190.

INDEPENDENT AUDITOR'S REPORT

Township Board
Augusta Charter Township
8021 Talladay Rd
Whitaker, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Augusta Charter Township, Washtenaw County, Michigan as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Augusta Charter Township, Washtenaw County, Michigan, as of March 31, 2013, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Township Board
Augusta Charter Township
8021 Talladay Rd
Whitaker, Michigan

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through vii and page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Augusta Charter Township, Washtenaw County, Michigan's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Robertson, Eaton & Owen PC

Adrian, Michigan
September 13, 2013

AUGUSTA CHARTER TOWNSHIP
STATEMENT OF NET POSITION
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012

	Governmental Activities	Business-Type Activities	Total 2013	2012
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 1,007,700	\$ 674,174	\$ 1,681,874	\$ 1,599,160
Taxes receivable	-	-	-	-
Accounts receivable	-	407,278	407,278	378,117
Special assessment receivable	-	-	-	-
Interfund activity	-	-	-	-
Due from fiduciary funds	40,263	27,866	68,129	89,546
Due from other governmental units	131,646	47,614	179,260	193,221
Prepaid expenses	2,879	11,245	14,124	19,955
Inventory	-	21,639	21,639	34,889
YCUA deposits	-	-	-	-
Restricted assets available for current liabilities:				
Bond interest and redemption account - cash	-	-	-	75,336
Bond interest and redemption account - investment	-	-	-	-
Total Current Assets	<u>1,182,488</u>	<u>1,189,816</u>	<u>2,372,304</u>	<u>2,390,224</u>
Noncurrent assets:				
Contract receivable general fund	-	-	-	-
Restricted Investments:				
Bond interest and redemption account - cash	-	-	-	299,890
Bond interest and redemption account - investment	-	-	-	604,475
	<u>-</u>	<u>-</u>	<u>-</u>	<u>904,365</u>
Capital assets:				
Capital Assets (See Note 5)	<u>302,084</u>	<u>5,853,869</u>	<u>6,155,953</u>	<u>6,475,992</u>
Total Noncurrent Assets	<u>302,084</u>	<u>5,853,869</u>	<u>6,155,953</u>	<u>7,380,357</u>
Total assets	<u><u>\$ 1,484,572</u></u>	<u><u>\$ 7,043,685</u></u>	<u><u>\$ 8,528,257</u></u>	<u><u>\$ 9,770,581</u></u>

**AUGUSTA CHARTER TOWNSHIP
STATEMENT OF NET POSITION
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012**

	Governmental Activities	Business-Type Activities	Total 2013	2012
LIABILITIES:				
Current Liabilities:				
Accounts payable	\$ 11,136	\$ 26,630	\$ 37,766	\$ 99,697
Due to other governmental units	-	-	-	-
Due to Fiduciary Funds	-	-	-	75
Salaries payable	17,881	-	17,881	7,057
Accrued expenses	9,424	-	9,424	-
Deferred revenue	1,216	-	1,216	437
Current portion of contract payable	46,289	31,968	78,257	74,594
Current portion of long term obligations	-	-	-	45,000
Total current liabilities	85,946	58,598	144,544	226,860
Noncurrent liabilities:				
Noncurrent portion of contract payable	-	775,173	775,173	853,430
Noncurrent portion of long term obligations	-	-	-	1,032,000
Total noncurrent liabilities	-	775,173	775,173	1,885,430
Total liabilities	85,946	833,771	919,717	2,112,290
Net Position:				
Invested in capital assets, net of related debt	255,795	5,348,812	5,604,607	4,470,967
Restricted for:				
Fire department	289,474	-	289,474	369,346
Environmental Fund	267,939	-	267,939	267,538
Capital Projects	36,288	-	36,288	36,252
Debt Service	-	-	-	979,701
Unrestricted	549,130	861,102	1,410,232	1,534,487
Total Net Position	\$ 1,398,626	\$ 6,209,914	\$ 7,608,540	\$ 7,658,291

**AUGUSTA CHARTER TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2012**

Functions/programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total 2013	2012
Governmental activities:								
General government	\$ 445,426	\$ -	\$ -	\$ -	\$ (445,426)	\$ -	\$ (445,426)	\$ (390,155)
Public safety	402,274	288	7,090	-	(394,896)	-	(394,896)	(418,380)
Public works	232,110	-	-	-	(232,110)	-	(232,110)	(131,645)
Community and economic development	21,668	-	-	-	(21,668)	-	(21,668)	(15,040)
Total governmental activities	1,101,478	288	7,090	-	(1,094,100)	-	(1,094,100)	(955,220)
Business-type activities:								
Water								
Utility	1,487,549	1,246,083	-	150,441	-	(91,025)	(91,025)	(168,787)
Total business-type activities	1,487,549	1,246,083	-	150,441	-	(91,025)	(91,025)	(168,787)
Total government	<u>\$ 2,589,027</u>	<u>\$ 1,246,371</u>	<u>\$ 7,090</u>	<u>\$ 150,441</u>	<u>\$ (1,094,100)</u>	<u>\$ (91,025)</u>	<u>\$ (1,185,125)</u>	<u>\$ (1,124,007)</u>
General revenues:								
Property taxes					\$ 496,153	\$ -	\$ 496,153	\$ 573,878
Investment earnings					932	939	1,871	5,643
Franchise fees					41,284	-	41,284	38,955
State revenue sharing					489,907	-	489,907	569,104
Other					72,159	34,000	106,159	116,123
Gain on disposal of capital asset					-	-	-	-
Total general revenues					1,100,435	34,939	1,135,374	1,303,703
Change in Net Position					6,335	(56,086)	(49,751)	179,696
Total Net Position - beginning of year					1,392,291	6,266,000	7,658,291	7,478,595
Total Net Position - end of year					<u>\$ 1,398,626</u>	<u>\$ 6,209,914</u>	<u>\$ 7,608,540</u>	<u>\$ 7,658,291</u>

**AUGUSTA CHARTER TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012**

	General	Other Nonmajor Governmental Funds	Total Governmental Funds 2013	2012
ASSETS:				
Cash and cash equivalents	\$ 457,998	\$ 549,702	\$ 1,007,700	\$ 1,375,155
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governmental funds	-	-	-	6,824
Due from fiduciary funds	15,402	24,861	40,263	15,431
Due from proprietary funds	-	-	-	20,027
Due from other governmental units	97,209	34,437	131,646	135,838
Prepaid expenditures	379	2,500	2,879	8,210
Total assets	<u>\$ 570,988</u>	<u>\$ 611,500</u>	<u>\$ 1,182,488</u>	<u>\$ 1,561,485</u>
LIABILITIES:				
Accounts payable	\$ 8,812	\$ 2,324	\$ 11,136	\$ 39,410
Due to other funds	-	-	-	6,824
Due to proprietary funds	-	-	-	-
Due to other governmental units	-	-	-	-
Due to Fiduciary Funds	-	-	-	75
Salaries payable	2,407	15,475	17,882	7,057
Contract payable	-	-	-	324,254
Accrued expenditures	9,424	-	9,424	-
Deferred revenue	1,216	-	1,216	437
Total liabilities	<u>21,859</u>	<u>17,799</u>	<u>39,658</u>	<u>378,057</u>
FUND BALANCES:				
Reserved for:				
Taxes receivable	-	-	-	-
Unreserved, designated for:				
Fire building	-	-	-	-
Unreserved, undesignated in:				
General fund	549,129	-	549,129	510,292
Fire fund	-	325,762	325,762	673,136
Environmental fund	-	267,939	267,939	-
Total fund balance	<u>549,129</u>	<u>593,701</u>	<u>1,142,830</u>	<u>1,183,428</u>
Total liabilities & fund balance	<u>\$ 570,988</u>	<u>\$ 611,500</u>	<u>\$ 1,182,488</u>	<u>\$ 1,561,485</u>

**AUGUSTA CHARTER TOWNSHIP
RECONCILIATIONS OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2012**

	<u>2013</u>	<u>2012</u>
Total governmental fund balances	\$ 1,142,830	\$ 1,183,428
Amount reported for governmental activities in the statement of Net Position are different because:		
Capital assets used in the governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital asset is	1,539,489	1,475,803
The accumulated depreciation is	(1,391,060)	(1,364,195)
Leased property under capital leases is	341,456	341,456
The accumulated amortization is	(187,800)	(153,654)
Contract payable not included in the Governmental Funds	(46,289)	(90,547)
Payment on contract not expense in Governmental Funds	<u>-</u>	<u>-</u>
Total Net Position of governmental activities	<u>\$ 1,398,626</u>	<u>\$ 1,392,291</u>

AUGUSTA CHARTER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds 2013</u>	<u>2012</u>
REVENUES:				
Local sources:				
Property taxes	\$ 146,520	\$ 349,633	\$ 496,153	\$ 573,878
Franchise fees	41,284	-	41,284	38,955
Investment earnings	-	932	932	602
Charges for services	-	288	288	5
Donations	-	7,090	7,090	4,999
Other	68,300	3,859	72,159	93,675
Total local sources	256,104	361,802	617,906	712,114
State sources	489,907	-	489,907	569,104
Federal sources	-	-	-	-
Total revenues	746,011	361,802	1,107,813	1,281,218
EXPENDITURES:				
Current:				
General government	440,242	-	440,242	385,982
Public safety	-	346,447	346,447	371,492
Public works	232,110	-	232,110	131,645
Community & economic development	21,668	-	21,668	15,040
Capital outlay	13,154	50,532	63,686	25,841
Total expenditures	707,174	396,979	1,104,153	930,000
Excess (deficiency) of revenues over (under) expenditures	38,837	(35,177)	3,660	351,218
Other financing sources (uses):				
Sale of Asset	-	-	-	-
Redemption of principal	-	(44,258)	(44,258)	(42,315)
Total other financing sources	-	(44,258)	(44,258)	(42,315)
Change in fund balances	38,837	(79,435)	(40,598)	308,903
Total fund balances - beginning of year	510,292	673,136	1,183,428	874,525
Total fund balances - end of year	<u>\$ 549,129</u>	<u>\$ 593,701</u>	<u>\$ 1,142,830</u>	<u>\$ 1,183,428</u>

**AUGUSTA CHARTER TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012**

	<u>2013</u>	<u>2012</u>
Change in fund balances total governmental funds	\$ (40,598)	\$ 308,903
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances. These costs are allocated over their estimated useful lives as depreciation in the Statement of Activities:		
Depreciation expense	(26,865)	(21,920)
Amortization expense on leased property	(34,146)	(34,146)
Capital outlay	63,686	37,953
Principal paid on debt	44,258	42,315
Disposal of leased equipment	<u>-</u>	<u>-</u>
Change in Net Position of governmental activities	<u>\$ 6,335</u>	<u>\$ 333,105</u>

**AUGUSTA CHARTER TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012**

			Totals	
	Wastewater	Water	2013	2012
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 134,908	\$ 539,266	\$ 674,174	\$ 224,005
Receivables net of allowances for uncollectible accounts	140,095	267,183	407,278	378,117
Current portion of special assessment receivable	-	73,658	73,658	41,648
Current portion of contract receivable	-	-	-	12,001
Due from fiduciary funds	8,360	19,506	27,866	74,115
Due from other governmental units	-	47,614	47,614	57,383
Inventory	-	21,639	21,639	34,889
Prepaid expense	-	11,245	11,245	11,745
Restricted assets available for current liabilities:				
Bond interest and redemption account - cash	-	-	-	75,336
Bond interest and redemption account - investment	-	-	-	-
Total current assets	283,363	980,111	1,263,474	909,239
Noncurrent assets:				
Contract receivable	-	-	-	312,252
Special assessment receivable	-	810,584	810,584	916,252
Due (to) from other funds	(126,686)	126,686	-	-
Water system	-	9,356,157	9,356,157	9,356,157
Sewer system	2,600,458	-	2,600,458	2,600,458
Less: accumulated depreciation	(1,553,417)	(4,549,329)	(6,102,746)	(5,780,032)
Total noncurrent assets	920,355	5,744,098	6,664,453	7,405,087
Restricted investments:				
Bond interest and redemption account - cash	-	-	-	299,890
Bond interest and redemption account - investment	-	-	-	604,475
	-	-	-	904,365
Total assets	\$ 1,203,718	\$ 6,724,209	\$ 7,927,927	\$ 9,218,691
LIABILITIES:				
Current Liabilities:				
Accounts payable	\$ 7,990	\$ 18,640	\$ 26,630	\$ 60,287
Due to other funds	7,710	(7,710)	-	20,027
Current portion of deferred special assessment receivable	-	73,658	73,658	41,648
Current portion of YCUA contract	31,968	-	31,968	30,336
Current portion of bond payable	-	-	-	45,000
Total current liabilities	47,668	84,588	132,256	197,298
Noncurrent liabilities:				
Deferred special assessment revenue	-	810,584	810,584	916,252
Noncurrent portion of YCUA contract	775,173	-	775,173	807,141
Noncurrent portion of bond payable	-	-	-	1,032,000
Total noncurrent liabilities	775,173	810,584	1,585,757	2,755,393
Total liabilities	822,841	895,172	1,718,013	2,952,691
NET POSITION:				
Invested in capital assets, net of related debt	239,900	4,806,828	5,046,728	4,262,106
Restricted for debt service	-	-	-	979,701
Unrestricted	140,977	1,022,209	1,163,186	1,024,193
Net Position	\$ 380,877	\$ 5,829,037	\$ 6,209,914	\$ 6,266,000

The notes to the financial statements are an integral part of this statement.

AUGUSTA CHARTER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012

	Wastewater	Water	Total	
			2013	2012
Operating revenue:				
Water and sewer usage	415,877	\$ 788,842	\$ 1,204,719	\$ 1,130,948
Charges for services	2,166	39,198	\$ 41,364	17,088
Other	10,200	23,800	\$ 34,000	22,448
Total operating revenues	428,243	851,840	1,280,083	1,170,484
Operating expenses:				
Plant operation	180,652	463,040	643,692	585,824
Administrative and overhead	161,845	245,496	407,341	332,786
Contracted services	37,201	22,415	59,616	108,898
Depreciation and amortization	75,867	246,845	322,712	322,640
Total operating expenses	455,565	977,796	1,433,361	1,350,148
Operating loss	(27,322)	(125,956)	(153,278)	(179,664)
Nonoperating revenues (expenses):				
Other adjustments	-	-	-	-
Connection fees		21,000	21,000	7,250
Special assessment revenue		73,658	73,658	48,993
Interest on assessments		55,783	55,783	76,107
Investment earnings	27	912	939	5,041
Interest expense	(28,085)	(26,103)	(54,188)	(99,025)
Total nonoperating revenues (expenses)	(28,058)	125,250	97,192	38,366
Change in Net Position	(55,380)	(706)	(56,086)	(141,298)
Total Net Position - beginning of year	436,257	5,829,743	6,266,000	6,407,298
Total Net Position - end of year	\$ 380,877	\$ 5,829,037	\$ 6,209,914	\$ 6,266,000

**AUGUSTA CHARTER TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012**

	2013	2012
Cash flows from operating activities:		
Cash received from customers	\$ 1,306,940	\$ 1,070,566
Cash paid to suppliers and employees	<u>(1,092,261)</u>	<u>(1,008,762)</u>
Net cash provided by (used in) operating activities	<u>214,679</u>	<u>61,804</u>
Cash flows from noncapital financing activities:		
Decrease in debt for additional sewer capacity	(30,336)	(28,851)
Cash received for connection fees	<u>21,000</u>	<u>7,250</u>
Net cash provided by (used in) noncapital financing activities	<u>(9,336)</u>	<u>(21,601)</u>
Cash flows from capital and related financing activities:		
Special assessment revenue	73,658	48,993
Special assessment interest	56,783	76,107
Purchase of capital assets	-	(2,875)
Repayment of principal	(1,032,000)	(43,966)
Interest payments	<u>(54,188)</u>	<u>(99,025)</u>
Net cash provided by (used in) capital and related financing activities	<u>(955,747)</u>	<u>(20,766)</u>
Cash flows from investing activities:		
Transfer (to) from investments	1,124,325	246,974
Transfer from restricted investments	-	(298,735)
Interest income	<u>912</u>	<u>5,041</u>
Net cash provided by (used in) investing activities	<u>1,125,237</u>	<u>(46,720)</u>
Net increase (decrease) in cash and cash equivalents	374,833	(27,283)
Cash and cash equivalents at beginning of year	<u>299,341</u>	<u>326,624</u>
Cash and cash equivalents at end of year	<u><u>\$ 674,174</u></u>	<u><u>\$ 299,341</u></u>

**AUGUSTA CHARTER TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
RECONCILIATION OF NET OPERATING LOSS TO NET CASH
PROVIDED FROM OPERATING ACTIVITIES
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012**

	<u>2013</u>	<u>2012</u>
Net operating loss	<u>\$ (153,278)</u>	<u>\$ (141,298)</u>
Adjustments to reconcile net operating loss to net cash provided by operating activities		
Depreciation expense	322,712	322,640
(Increase) decrease in:		
Accounts receivable	29,161	(27,411)
Due from other funds	-	-
Due from fiduciary funds	46,249	(74,115)
Due from other governments	9,769	(30,658)
Inventory	13,250	2,875
Prepaid Expense	500	(500)
Increase (decrease) in:		
Accounts payable and other liabilities	(33,657)	(9,756)
Due to other funds	<u>(20,027)</u>	<u>20,027</u>
Total adjustments	<u>367,957</u>	<u>203,102</u>
Net cash provided from operating activities	<u><u>\$ 214,679</u></u>	<u><u>\$ 61,804</u></u>

**AUGUSTA CHARTER TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012**

	Totals	
	2013	2012
ASSETS:		
Cash and cash equivalents	\$ 321,930	\$ 19,409
Investments	15,864	7,719
Due from governmental units	-	71,793
	<u> </u>	<u> </u>
Total assets	<u>\$ 337,794</u>	<u>\$ 98,921</u>
LIABILITIES:		
Due to other funds	\$ 67,128	\$ 89,827
Due to other taxing units	270,666	9,094
	<u> </u>	<u> </u>
Total liabilities	<u>\$ 337,794</u>	<u>\$ 98,921</u>

The notes to the financial statements are an integral part of this statement.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Augusta Charter Township, Washtenaw County, Michigan (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

A. Reporting Entity

Augusta Charter Township is a charter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Augusta Charter Township as a primary government. There are no component units to the Township.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and a fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most Charter Township functions typically are financed. The acquisition, use, and balances of the Charter Township's expendable financial resources and the related current liabilities are accounted for through governmental funds. Effective April 1, 2011, the Charter Township has implemented their Fund Balance Policy in Accordance with GASB Statement No. 54 as follows:

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

B. Government-Wide And Fund Financial Statements (Continued)

Purpose. The following has been adopted by the Board of Trustees in order to address the implications of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the Charter Township and jeopardize the continuation of necessary public services. This policy will ensure that the Charter Township maintains adequate fund balance and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs,
- b. Secure and maintain investment grade bond ratings,
- c. Offset significant economic downturns or revenue shortfalls, and
- d. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the Township's fund balances and reserve policies.

Fund type definitions. The following definitions will be used in reporting activity in governmental funds across the Charter Township. The Charter Township may not report all fund types in any given reporting period, based on actual circumstances and activity.

The general fund is used to account for all financial resources not accounted for and reported in another fund.

Special revenue funds are used to account for and report the proceeds of *specific revenue sources* that are *restricted or committed* to expenditure for *specific purposes* other than debt service or capital projects.

Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the Charter Township's purposes.

Fund balance reporting in governmental funds. Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

B. Government-Wide And Fund Financial Statements (Continued)

Nonspendable fund balance

Definition – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact.

Classification – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The Charter Township will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the government).
- The Charter Township will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).
- The Charter Township will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained in-tact.
- The Charter Township will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale.

Restricted fund balance

Definition – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers; or through enabling legislation.

Committed fund balance

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the Charter Township's highest level of decision-making authority (i.e., the Board of Trustees).

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the Board of Trustees. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

Assigned fund balance

Definition – includes amounts intended to be used by the Charter Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

B. Government-Wide And Fund Financial Statements (Continued)

Authority to Assign – The Board of Trustees delegates to the Supervisor or his/her/their designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance

Definition – includes the residual classification for the Charter Township's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Operational guidelines. The following guidelines address the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display or encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Charter Township to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Charter Township that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Comparability

Prior years governmental fund balances have been restated to meet the requirements of GASB 54.

The Charter Township reports the following major governmental funds:

The General Fund

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

B. Government-Wide And Fund Financial Statements (Continued)

The government reports the following as a major governmental fund:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The government reports the following as non major funds:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trust or major capital projects). The Township accounts for its Fire Service Fund and Environmental Funds in the Special Revenue Funds.

The *Capital Projects Fund* accounts for the resources accumulated and payments made for Capital improvement of the Fire buildings.

The Government reports the following major proprietary fund:

The *Wastewater Fund* accounts for the acquisition, operation and maintenance of the Township's sewer system.

The *Water System Fund* accounts for the operation and maintenance of the Township's water system.

Additionally, the government reports the following fund types:

The *Fiduciary Fund (Tax Collection Fund and Agency Fund)* accounts for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Governments also have the *option* of following subsequent private-sector guidance for their business-type activities (water and sewer funds), subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of utility charges between the Township's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility Fund relates to charges to customers for sales and services. Operating expenses for this fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, and net assets or equity

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the Township.

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the Township.

State statutes authorize the government to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, repurchase agreements, and state approved investment pools.

Investments are stated at cost or amortized cost. The Township will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity (Continued)

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The Township had no advances between funds at March 31, 2013.

Properties are assessed as of December 31 and the tax levies are July 1 and December 1 of the following year. The tax levies of July 1 and December 1, 2011 are revenues in the Township's fiscal year ended March 31, 2013.

The Township had a general tax millage of .8187 for 2011. The Township's maximum allowable millage is 1.0 mills. The Township had a fire department millage of 2.0 for 2011.

A lien on the property occurs when the taxes are levied. The taxes levied July 1 are payable by September 14 without penalty. The taxes levied December 1 are payable by February 14 without penalty.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity (Continued)

Since the County, through revolving funds, obtains the delinquent real property taxes for the Township, the sixty (60) day rule does not apply to such delinquent taxes receivable.

3. Inventories and prepaid items

Inventories are stated at the lower of cost (first in, first out) or market. Cost is determined by the amount expended. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-50
Computers and software	3-5
Office and equipment	5-20
Fire vehicles	5-10
Fire equipment	3-10
Water system	40
Water equipment	10-15
Sewer system	35
Sewer equipment	10

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity (Continued)

5. Long-term obligations

In the governmental-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The reserve for taxes receivable represents the portion of the fund balance that is not available for appropriation. The designation for fire building represents the plan that the board of trustees approved to construct a fire hall.

The government-wide statement of net position reports \$593,701 of restricted net assets of which \$593,701 is restricted by enabling legislation.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Township for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Township follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Township have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. None of the Township's funds incurred expenditures in excess of the amount appropriated for the year ended March 31, 2013, however expenditures at the activity level exceeded budgeted amounts.

In the general fund, three expenditure functions exceeded appropriated amount as follows:

	<u>Budgeted Amount</u>	<u>Actual</u>	<u>Variance</u>
General government:			
Treasurer	65,008	67,760	(2,752)
Assessor	45,946	46,704	(758)
Public works:			
Road Improvement	205,000	206,388	(1,388)

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

NOTE 3. DEPOSITS AND INVESTMENTS

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of March 31, 2013, \$1,542,484 of the Township's bank balance of \$2,042,484 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$1,542,484
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**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE 4. RECEIVABLES

Receivables as of March 31, 2013 for the Township's major funds and proprietary funds are as follows:

	<u>General</u>	<u>Waste Water</u>	<u>Water</u>	<u>Total</u>
Receivables:				
Accounts	-	140,095	267,183	407,278
Special assessments	-	-	884,242	884,242
Gross receivables	-	140,095	1,151,425	1,291,520
Less: allowance for uncollectibles	-	-	-	-
Net total receivables (Payables)	<u>\$ -</u>	<u>\$ 140,095</u>	<u>\$ 1,151,425</u>	<u>\$ 1,291,520</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity governmental and business-type activities follows:

	Primary Government			
	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Assets not being depreciated-land	\$ 28,900	\$ 6,104	\$ -	\$ 35,004
Buildings and improvements	95,547	7,050	-	102,597
Office furniture and equipment	46,987	-	-	46,987
Computers and software	41,078	-	-	41,078
Vehicles	15,000	-	-	15,000
Fire equipment	251,190	15,782	-	266,972
Fire vehicles	997,101	34,750	-	1,031,851
Leased property under capital leases	341,456	-	-	341,456
Depreciable capital assets	1,788,359	57,582	-	1,845,941
Less accumulated depreciation for:				
Buildings and improvements	81,547	2,313	-	83,860
Office furniture and equipment	45,362	125	-	45,487
Computers and software	28,720	2,746	-	31,466
Vehicles	15,000	-	-	15,000
Fire equipment	219,836	11,389	-	231,225
Fire vehicles	973,730	10,292	-	984,022
Total accumulated depreciation	1,364,195	26,865	-	1,391,060
Less accumulated amortization for:				
Leased property under capital leases	153,655	34,146	-	187,801
Governmental activities net capital assets	\$ 299,409	\$ 2,675	\$ -	\$ 302,084

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE 5. CAPITAL ASSETS (Continued)

	Primary Government			Ending Balance
	Beginning Balance	Additions	Disposals	
Business-type activities:				
Assets not being depreciated-land	\$ -	\$ -	\$ -	\$ -
Water system	8,673,318	-	-	8,673,318
Water meters and equipment	632,775	-	-	632,775
Sewer system	2,479,328	-	-	2,479,328
Sewer equipment	121,130	-	-	121,130
Bond issuance costs	50,064	-	-	50,064
Depreciable capital assets	<u>11,956,615</u>	<u>-</u>	<u>-</u>	<u>11,956,615</u>
Less accumulated depreciation for:				
Water system	3,932,512	216,833	-	4,149,345
Water meters and equipment	345,286	28,760	-	374,046
Sewer system	1,385,426	70,545	-	1,455,971
Sewer equipment	92,124	5,322	-	97,446
Total accumulated depreciation	<u>5,755,348</u>	<u>321,460</u>	<u>-</u>	<u>6,076,808</u>
Less accumulated amortization for bond issuance costs	<u>24,686</u>	<u>1,252</u>	<u>-</u>	<u>25,938</u>
Business-type activities net capital assets	<u>\$ 6,176,581</u>	<u>\$ (322,712)</u>	<u>\$ -</u>	<u>\$ 5,853,869</u>

Depreciation and amortization expense charged to functions is as follows:

Governmental activities:	
General government	\$ 5,184
Public safety	<u>21,681</u>
Total depreciation - governmental activities	<u>\$ 26,865</u>
Governmental activities:	
General government	\$ -
Public safety	<u>34,146</u>
Total amortization - governmental activities	<u>\$ 34,146</u>
Business-type activities:	
Utility	<u>\$ 322,712</u>
Total depreciation - business-type activities	<u>\$ 322,712</u>

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE 6. INTERFUND BALANCES AND TRANSFERS

Interfund balances – Due to/from other funds

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. A portion of the amount owed to the Utility Fund from the General fund will not be repaid within one year, however all other balances at March 31, 2012 are expected to be repaid within the next fiscal year.

<u>Fund</u>	<u>Due From</u>	<u>Fund</u>	<u>Due To</u>
Fire	\$ -	General	\$ -
Tax Collection	24,861	Fire	24,861
Tax Collection	27,866	Utility	27,866
Tax Collection	<u>14,401</u>	General	<u>14,401</u>
Totals	<u>\$ 67,128</u>		<u>\$ 67,128</u>

NOTE 7. LEASES

Capital leases – Governmental activities

The Township has entered into a capital lease agreement with Tax Exempt Leasing Corporation for the purchase of a fire truck in the amount of \$41,456 on September 6, 2007. The lease term is seven years, ending February 28, 2014. Annual payments of \$48,414 are due February 28. The respective principal and interest requirements follow:

<u>Year Ended March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>46,289</u>	<u>2,125</u>	<u>48,414</u>
	<u>\$ 46,289</u>	<u>\$ 2,125</u>	<u>\$ 48,414</u>

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE 8. LONG TERM DEBT

The Township is obligated for a portion of bonds held by YCUA through Washtenaw County for the sewage disposal system. The original amount owed is \$1,302,971 at interest rates between 3.0 and 6.0%, maturing in fiscal year ending 2033. YCUA bills the Township on a monthly basis for total debt service expenses. The interest expense related to this bond for the year ended March 31, 2013 was \$28,085. The principal and interest requirements at March 31, 2014 follow:

Year Ended March 31,	Principal	Interest	Total
2014	31,968	38,853	70,821
2015	33,813	37,363	71,176
2016	35,464	35,772	71,236
2017	37,059	34,089	71,148
2018	39,008	32,294	71,302
2019	40,969	30,375	71,344
2020	41,150	30,113	71,263
2021	37,085	26,413	63,498
2022	39,624	24,535	64,159
2023	41,758	22,521	64,279
2024	43,762	20,388	64,150
2025	46,054	18,148	64,202
2026	48,357	15,793	64,150
2027	50,671	13,318	63,989
2028	52,293	10,725	63,018
2029	36,971	8,495	45,466
2030	38,808	6,591	45,399
2031	40,793	4,591	45,384
2032	41,984	2,502	44,486
2033	29,550	713	30,263
	<u>\$ 807,141</u>	<u>\$ 413,592</u>	<u>\$ 1,220,733</u>

The following is a schedule of the business-type long term obligation for the Township for the year ended March 31, 2013.

	Bonds	YCUA Contract	Capital Leases	Total
Balance April 1, 2012	\$ 1,077,000	\$ 837,477	\$ 90,547	\$ 2,005,024
Additions				-
Deletions	<u>(1,077,000)</u>	<u>(30,336)</u>	<u>(44,258)</u>	<u>(1,151,594)</u>
Balance March 31, 2013	-	807,141	46,289	853,430
Less: current portion	<u>-</u>	<u>31,968</u>	<u>46,289</u>	<u>78,257</u>
Total due after one year	<u>\$ -</u>	<u>\$ 775,173</u>	<u>\$ -</u>	<u>\$ 775,173</u>

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE 8. LONG TERM DEBT (Continued)

The debt service requirements of governmental activities at March 31, 2013, are as follows:

Year Ended March 31,	Principal	Interest	Total
2014	78,257	40,978	119,235
2015	33,813	37,363	71,176
2016	35,464	35,772	71,236
2017	37,059	34,089	71,148
2018	39,008	32,294	71,302
2019-2023	200,586	133,957	334,543
2024-2028	241,137	78,372	319,509
2029-2033	188,106	22,892	210,998
	<u>\$ 853,430</u>	<u>\$ 415,717</u>	<u>\$ 1,269,147</u>

NOTE 9. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (worker's compensation). The Township participates in two public entity risk pools for its insurance coverage. Any settled claims relating to the insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 10. DEFINED CONTRIBUTION PLANS

The Augusta Township Pension Plan is a defined contribution plan administered by Principal Financial Group under authority of Internal Revenue Code Section 401(a). The Township makes monthly contributions of 15% of full time employees' compensation. Employees must be 18 years of age to participate and are allowed to contribute, however employees did not contribute to this plan. The Township made contributions of \$28,121 for the year ended March 31, 2013.

Augusta Charter Township 457 Prototype Plan is a governmental 457 deferred compensation plan administered by Symetra Financial. Employees, with the exception of part-time employees working 15 hours or less and volunteer firemen, are allowed to participate with no employer match. There were employee contributions of \$1,613 made for the year ended March 31, 2013.

**AUGUSTA CHARTER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources	\$ 173,725	\$ 173,725	\$ 187,804	\$ 14,079
State sources	483,101	483,101	489,907	6,806
Other	115,443	115,739	68,300	(47,439)
Total revenues	<u>772,269</u>	<u>772,565</u>	<u>746,011</u>	<u>(26,554)</u>
EXPENDITURES:				
General government:				
Board of trustees	243,521	243,522	207,067	36,455
Supervisor	26,305	26,305	25,984	321
Treasurer	65,277	65,008	67,760	(2,752)
Assessor	46,746	45,946	46,704	(758)
Board of review	-	-	-	-
Clerk	60,022	60,022	58,709	1,313
Elections	33,003	33,003	30,730	2,273
Township hall	15,480	15,480	15,013	467
Other	2,000	2,000	1,429	571
Total general government	<u>492,354</u>	<u>491,286</u>	<u>453,396</u>	<u>37,890</u>
Public safety:				
Building inspections	-	-	-	-
Police	-	-	-	-
Total public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public works:				
Drains at large	40,000	40,000	25,722	14,278
Road improvement	205,000	205,000	206,388	(1,388)
Total public works	<u>245,000</u>	<u>245,000</u>	<u>232,110</u>	<u>12,890</u>
Community and economic development:				
Planning and zoning	23,906	23,906	21,668	2,238
Total community and economic development	<u>23,906</u>	<u>23,906</u>	<u>21,668</u>	<u>2,238</u>
Total expenditures	<u>761,260</u>	<u>760,192</u>	<u>707,174</u>	<u>53,018</u>
Change in fund balance	11,009	-	38,837	-
Total fund balances - beginning of year			<u>510,292</u>	
Total fund balances - end of year			<u>\$ 549,129</u>	

**AUGUSTA CHARTER TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2013**

			Total Nonmajor Governmental	
	Special Revenue	Capital Projects	Funds 2013	2012
Assets:				
Cash and cash equivalents	\$ 513,414	\$ 36,288	\$ 549,702	\$ 650,571
Investments	-	-	-	-
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	24,861	-	24,861	5,269
Due from fiduciary funds	-	-	-	-
Due from other governmental units	34,437	-	34,437	31,742
Inventory	-	-	-	-
Prepaid expenditures	2,500	-	2,500	4,467
	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>4,467</u>
Total assets	<u>\$ 575,212</u>	<u>\$ 36,288</u>	<u>\$ 611,500</u>	<u>\$ 692,049</u>
Liabilities & Fund Balances:				
Liabilities:				
Accounts payable	\$ 2,324	\$ -	\$ 2,324	\$ 5,032
Salaries payable	15,475	-	15,475	7,057
Contract payable	-	-	-	-
Accrued expenditures	-	-	-	-
Due to other funds	-	-	-	6,824
Unearned revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>17,799</u>	<u>-</u>	<u>17,799</u>	<u>18,913</u>
Fund Balances:				
Reserved for:				
Fire department	289,474	36,288	325,762	405,598
Unreserved, reported in:				
Special revenue funds	267,939	-	267,939	267,538
	<u>267,939</u>	<u>-</u>	<u>267,939</u>	<u>267,538</u>
Total fund balances	<u>557,413</u>	<u>36,288</u>	<u>593,701</u>	<u>673,136</u>
Total liabilities & fund balances	<u>\$ 575,212</u>	<u>\$ 36,288</u>	<u>\$ 611,500</u>	<u>\$ 692,049</u>

**AUGUSTA CHARTER TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
MARCH 31, 2013**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds 2013	2012
Revenues:				
Local sources:				
Property taxes	\$ 349,633	\$ -	\$ 349,633	\$ 400,523
Investment earnings	896	36	932	602
Charges for services	288	-	288	5
Donations/Grant	7,090	-	7,090	4,999
Other	3,859	-	3,859	1,412
Total local sources	361,766	36	361,802	407,541
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	361,766	36	361,802	407,541
Expenditures:				
Current:				
Salaries and wages	169,374	-	169,374	146,622
Fringe benefits	25,363	-	25,363	26,561
Supplies and other	30,539	-	30,539	33,378
Repairs and maintenance	73,985	-	73,985	69,780
Contracted services	4,166	-	4,166	2,233
Dues and mileage	5,538	-	5,538	10,929
Communications	22,127	-	22,127	22,414
Utilities	10,815	-	10,815	10,185
Interest	4,156	-	4,156	6,098
Other	384	-	384	1,253
Overhead expenses	-	-	-	17,322
Capital outlay	50,532	-	50,532	20,328
Total expenditures	396,979	-	396,979	367,103
Excess (deficiency) of revenues over (under) expenditures	(35,213)	36	(35,177)	40,438
Other financing sources (uses):				
Sale of Assets	-	-	-	-
Redemption of principal	(44,258)	-	(44,258)	(42,315)
Total other financing sources (uses)	(44,258)	-	(44,258)	(42,315)
Change in fund balances	(79,471)	36	(79,435)	(1,877)
Fund balances:				
Beginning of year	636,884	36,252	673,136	675,013
End of year	<u>\$ 557,413</u>	<u>\$ 36,288</u>	<u>\$ 593,701</u>	<u>\$ 673,136</u>

See notes to financial statements.

**AUGUSTA CHARTER TOWNSHIP
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
MARCH 31, 2013**

	Fire Fund	Environmental Fund	Totals 2013	2012
Assets:				
Cash and cash equivalents	\$ 245,475	\$ 267,939	\$ 513,414	\$ 614,319
Investments	-	-	-	-
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	24,861	-	24,861	5,269
Due from fiduciary funds	-	-	-	-
Due from other governmental units	34,437	-	34,437	31,742
Inventory	-	-	-	-
Prepaid expenditures	2,500	-	2,500	4,467
Total assets	<u>\$ 307,273</u>	<u>\$ 267,939</u>	<u>\$ 575,212</u>	<u>\$ 655,797</u>
Liabilities & Fund Balances:				
Liabilities:				
Accounts payable	\$ 2,324	\$ -	\$ 2,324	\$ 5,032
Due to other funds	-	-	-	6,824
Salaries payable	15,475	-	15,475	7,057
Contract payable	-	-	-	-
Accrued expenditures	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>17,799</u>	<u>-</u>	<u>17,799</u>	<u>18,913</u>
Fund Balances:				
Reserved for:				
Fire department	289,474	-	289,474	369,346
Unreserved, undesignated	-	267,939	267,939	267,538
Total fund balances	<u>289,474</u>	<u>267,939</u>	<u>557,413</u>	<u>636,884</u>
Total liabilities & fund balances	<u>\$ 307,273</u>	<u>\$ 267,939</u>	<u>\$ 575,212</u>	<u>\$ 655,797</u>

**AUGUSTA CHARTER TOWNSHIP
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
SPECIAL REVENUE FUNDS
MARCH 31, 2013**

	Fire Fund	Environmental Fund	Totals 2013	2012
Revenues:				
Local sources:				
Property taxes	\$ 349,633	\$ -	\$ 349,633	\$ 400,523
Investment earnings	495	401	896	537
Charges for services	288	-	288	5
Donations/Grant	7,090	-	7,090	4,999
Other	3,859	-	3,859	1,412
Total local sources	361,365	401	361,766	407,476
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	361,365	401	361,766	407,476
Expenditures:				
Salaries and wages	169,374	-	169,374	146,622
Fringe benefits	25,363	-	25,363	26,561
Supplies and other	30,539	-	30,539	33,378
Repairs and maintenance	73,985	-	73,985	69,780
Contracted services	4,166	-	4,166	2,233
Dues and mileage	5,538	-	5,538	10,929
Communications	22,127	-	22,127	22,414
Utilities	10,815	-	10,815	10,185
Interest	4,156	-	4,156	6,098
Other	384	-	384	1,253
Overhead expenses	-	-	-	17,322
Capital outlay	50,532	-	50,532	20,328
Total expenditures	396,979	-	396,979	367,103
Excess (deficiency) of revenues over (under) expenditures	(35,614)	401	(35,213)	40,373
Other financing sources:				
Sale of asset	-	-	-	-
Redemption of principal	(44,258)	-	(44,258)	(42,315)
Total other financing sources	(44,258)	-	(44,258)	(42,315)
Change in fund balances	(79,872)	401	(79,471)	(1,942)
Fund balances:				
Beginning of year	369,346	267,538	636,884	638,826
End of year	<u>\$ 289,474</u>	<u>\$ 267,939</u>	<u>\$ 557,413</u>	<u>\$ 636,884</u>

See notes to financial statements.

**AUGUSTA CHARTER TOWNSHIP
COMBINING BALANCE SHEET
AGENCY FUNDS
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012**

	Trust & Agency	Tax Collection	Totals 2013	2012
ASSETS:				
Cash and cash equivalents	\$ -	\$ 321,930	\$ 321,930	\$ 19,409
Investments	15,864	-	15,864	7,719
Due from other funds	-	-	-	71,793
Total assets	<u>\$ 15,864</u>	<u>\$ 321,930</u>	<u>\$ 337,794</u>	<u>\$ 98,921</u>
LIABILITIES:				
Due to other funds	\$ -	\$ 67,128	\$ 67,128	\$ 89,827
Due to other taxing units	15,864	254,802	270,666	9,094
Total liabilities	<u>\$ 15,864</u>	<u>\$ 321,930</u>	<u>\$ 337,794</u>	<u>\$ 98,921</u>

**AUGUSTA CHARTER TOWNSHIP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COLLECTION FUND
MARCH 31, 2013**

	Balance March 31, 2012	Additions	Deletions	Balance March 31, 2013
ASSETS:				
Cash and cash equivalents	\$ 19,409	\$ 6,506,875	\$ 6,204,354	\$ 321,930
Due from governmental units	71,513	-	71,513	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 90,922	\$ 6,506,875	\$ 6,275,867	\$ 321,930
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES:				
Due to other funds	\$ 89,827	\$ 6,253,168	\$ 6,275,867	67,128
Due to other taxing units	1,095	253,707	-	254,802
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 90,922	\$ 6,506,875	\$ 6,275,867	\$ 321,930
	<hr/>	<hr/>	<hr/>	<hr/>

Board of Trustees
Augusta Charter Township, Washtenaw County, Michigan
Whittaker, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Augusta Charter Township, Washtenaw County, Michigan as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Augusta Charter Township, Washtenaw County, Michigan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Augusta Charter Township, Washtenaw County, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Augusta Charter Township, Washtenaw County, Michigan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in Augusta Charter Township, Washtenaw County, Michigan's internal control to be material weaknesses:

MATERIAL WEAKNESS

2013-1

Last year we reported a significant deficiency 2012-1 that explained the requirement of Michigan Department of Treasury, "Uniform Accounting Procedures Manual" Chapter 2 – Bank accounts deposits and reconciliation; and Accounting Procedures Manual for Local Units of Government in Michigan, Chapter 3 – Bank and Investments Accounts. The township Treasurer is the legal custodian of all township funds and must make all deposits in the various township accounts established for each fund. The township board of trustees designates in their minutes, the bank accounts to be used. No other official of the Township can deposit funds into the bank account, but must receipt and list the amounts and give to the Treasurer. It is the responsibility of the Treasurer to reconcile all bank accounts. After completing the reconciliations, the Treasurer will provide to the Clerk the reconciliations for review.

With reference to the Tax Collection account, the Treasurer is responsible for all transactions, including disbursements. Disbursement out of the Tax Collection account does not require dual signatures but does require the Treasurer to provide copies of the checks written, with appropriate original documentation to the Clerk. Appropriate documentation does not include the copies of invoices or other evidence used to create the check.

Board of Trustees
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2013-1 cont'd

In May 2011, the board of trustees actions provided guidance in the software to be used in the township. As a result it was agreed then to use BSA tax and receipt software to attain the highest of integrity of the amounts being recorded as revenues to each fund and collection and disbursement of funds in the tax collection fund. That direction was to use the tax collection module of BSA so as to integrate into the existing system.

The significant deficiency was of the failure to reconcile monthly to the tax collection bank accounts' impress balance of \$5,000 and to provide information for the Clerk to timely determine if the tax collections reports were agreeable to the general ledger.

In as much as the same deficiency is present, we are deeming the issue to a material weakness.

It is our recommendation that the Augusta Charter Township, Washtenaw County, Michigan follow the strict guidance of the procedures discussed above. Further, is recommended that you consider updating BSA to the latest edition, to alleviate potential migrating and recording issues.

SIGNIFICANT DEFICIENCIES

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Augusta Charter Township, Washtenaw County, Michigan's internal control to be significant deficiencies:

2013-2

Currently the Augusta Charter Township, Washtenaw County, Michigan has an electronic funds transfer policy in conjunction with check writing and disbursement policy that requires all electronic fund transfer requests to be certified by the clerk's office prior to the actual transfer. We discovered that electronic transfers were completed by the Treasurer without that certification.

We recommend that the policy be reviewed by the officials of the Township, and determine if it is in accordance with current legislative guidance.

2013-3

Due to the size of the organization's office staff, there are no segregation of conflicting duties of initiating transactions and the recording of those transactions. This creates a greater risk of a material misstatement in the financial statements. We recommend that the Augusta Charter Township, Washtenaw County, Michigan reevaluate its internal control structure, and develop needed controls with the personnel available presently.

2013-4

The Michigan Department of Treasury, Uniform Accounting Procedures Manual Chapter 4 Current Tax Collections, paragraph Tax Collection Distribution requires the following:

"Distribution to the county treasurer and other tax assessing unit treasurers must be made from the tax collections on hand on the first and fifteenth day of each month within 10 business days after the first and fifteenth day of each month (unless another distribution schedule has been agreed to by all parties). "

Board of Trustees
Augusta Charter Township, Washtenaw County, Michigan
Whittaker, Michigan

During our examination, we determined that there were times where excess funds were on hand and not distributed within the timelines required. We recommend that you follow the Michigan Department of Treasury guidance provided.

2013-5

The Township lacks an adequate design of internal control over the preparation of the financial statements and footnotes, because the Township does not have the staff available with the level of expertise necessary to prepare in accordance with Governmental Auditing Standards Board pronouncements. This design of control does not allow management to prevent or detect and correct misstatements on a timely basis. We recommend that the Township consider if this risk is one that they are willing to accept. Based upon discussions with management, the Township does believe it is cost beneficial to develop this expertise.

Conclusion

In order for there to be the checks and balance procedures that are inherent in the Michigan Department of Treasury guidance, there must be a working relationship between the officials of the Township. If this cannot be accomplished, then we recommend that the State of Michigan, Department of Treasury be contacted.

This communication is intended solely for the information and use of management the board of trustees, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.
Adrian, Michigan
September 13, 2013